

Exhibit A

SECTION FIVE

SCOPE OF WORK

5.01

Scope of Work

The Department of Community Development is soliciting proposals for Mortgage Loan Servicing.

The goal of this project is to encourage and assist low- and moderate-income borrowers to keep their loans current, assist those borrowers who have fallen behind due to hardships, to maintain effective management of the loan portfolio, and ultimately, to reduce the portfolio delinquency rates.

The work will include, but not be limited to, the following services:

- Monthly Servicing
- Collections
- Loan Repayment Plans and/or Loan Modification recommendations
- Technical Assistance
- Set-up new loans, loan revisions, and payoffs
- Foreclosure services
- Bankruptcy tracking
- Record maintenance

The consultant/contractor will be expected to perform the following tasks:

Monthly Servicing

- Provide diligent and customary loan service functions.
- Maintain a complete and accurate account of the borrower's accounts and properly apply all sums collected from the borrower or through the partnering Primary Lending Bank (Economic Development Loans Only).
- Deposit all payments received with respect to each loan into a Custodial Trust Account on behalf of the City of Durham; and remit to the City, on or before five (5) business days from the 20th of each month, the total receipt of all principal and /or interest payments paid by the borrower.
- Default and delinquency monitoring.
- Inspect and/or notify the City of all defaults and events of defaults by the borrower of which the contractor is aware. This may include sale, transfer, loss and/or damage to collateral used to secure loan, failure to provide adequate coverage of mortgaged property, borrower's misuse of mortgaged property, and/or other violations by a borrower of his/her/their obligations under the executed loan documents.

- Keep all records in connection with the loans at the contractor's place of business and available, within forty-eight (48) hours notice, for inspection during regular business hours, by City representatives, or other examiners/person lawfully and appropriately authorized by the City other governmental authorities.
- Provide Automatic Payment and Pay by Phone options to borrowers.
- Insurance Monitoring, Forced Place insurance as necessary
- Property tax monitoring, as necessary
- Establish and monitor escrow and impound accounts, as necessary.
- Report loans to no fewer than three (3) credit bureaus and respond to any disputed credit reports filed by borrowers.
- For Economic Development Loans: Monitor expiration dates of UCC financing statements filed, and prepare, execute and file UCC continuation statement as needed to continue the effectiveness of all such financing statements.

Collections

- Take all customary and appropriate action to collect all loans when due on a monthly basis.
- Delinquent/default letter production, including demand letters to each borrower who is 15, 30, 45, 60 and 90 days past due, and a list of letter recipients to be sent to the City, see addresses below.
- Due diligence phone calls, for residential and developer mortgage loans calls beginning at 30 days delinquent and for economic/commercial loans calls will be made at 15, 30 and 45 days delinquent.
- Confirmation letters to follow up due diligence phone calls, a copy of each to sent to the City.
- **For All Residential and Developer Mortgage Loans Only:** Upon the expiration of the 90-day demand letter, the Contractor will contact City for approval to proceed with further legal collection proceedings, including foreclosure. Copies of correspondence should be mailed to:
 City of Durham
 Department of Community Development
 101 City Hall Plaza
 Durham, NC 27701
 Attention: Loan Portfolio Analyst, cc Director
- **For All Economic/Commercial Loans Only:** At 60 days past due, a demand letter is sent. If no corrective action is taken by borrower in next 30 days Contractor will notify the City and the Primary Lending Bank so the proper collection actions can be taken dependent on the type of Small Business Loan (past Repackage Loan vs. current Opportunity Loan). The City should be mailed copies of all collection and demand correspondence to the borrowers should be mailed to:
 City of Durham
 Office of Economic and Workforce Development
 302 Pettigrew Street, Suite 109
 Durham, North Carolina 27701
 Attn: Michael Keeler, cc Director

- After receiving the demand letter, the borrower will be given 30 days to bring loan account current. If the borrower does not bring the account current the contractor will notify the City and the City will take the appropriate action based on the type of small business loan. The City currently has two types of loans in its small business loan portfolio being managed. They are the small business repackaged loans made prior to October 2003 and the Opportunity Loan Program, which is a revised version of the small business loan program. For the few repackage loans that remain active in our loan portfolio from the City's first small business loan program, the following process is recommended:
 - If the contractor gets no response from the borrower by the end of 90 days a demand letter will be sent to the borrower directly from the city demanding full payment of the loan. If the condition of the demand letter is not meet OEWD will handle the legal proceedings by turning over the account to the City Attorney's Office. A confession of judgment at this time will be filed by the attorney's office and the loan will be removed from OEWD's loan portfolio. A notification will be sent to the contractor to no longer service this account and remove part of or further legal proceedings will begin for collection and/or foreclosure.
 - For all new loans provided by the Opportunity Loan Program their default situations will be handled by the Primary Lending Bank under the guidelines spelled out in the non-recourse agreement. This agreement defines the role of the City and the Primary Bank in this participation loan. It gives the Primary Bank the authority and the responsibility to handle any default scenarios with the borrower since the City is in a subordinate position to the Primary Bank.

Delinquency Counseling, Repayment Plan and Forbearance Evaluations

- Work with borrowers to evaluate their financial situation, including budget and credit counseling, to formulate repayment plans or recommend loan modifications for borrowers more than ninety (90) days past due.
- Work with borrowers to implement repayment plans for past due payments, generally no more than ninety (90) days past due and/or able to be brought current within 6-12 months. Send copies of letter agreements with borrowers to the City.
- Forbearance Evaluations and work with borrowers who have encountered hardships to recommend loan modification actions.

Technical Assistance

- Provide assistance to City staff relative to current lending practices, policies and procedures which may be used in the development or modification of the City's existing and future loan programs.

Set-up of New Loans, Loan Revisions and Payoffs

- Transfer of loan should take no longer than two (2) weeks, and each borrower will be sent a Welcome Letter and schedule of payment or coupon book within this timeframe.
- Send each new borrower a Welcome Letter.
- Provide each borrower with a schedule of payments or coupon book, mailed out no more than five (5) days from the day the loan is set up.

- Upon request of the City, revise existing loans within 48 hours.
- Respond to payoff quote requests in a timely manner within 48 hours.
- Any loans paid off in the Economic Development loan portfolio will have the information confirming the pay-off sent to the City Office of Economic and Workforce Development (See address above).

Foreclosure services

- **For Residential and Developer Mortgages Only:** If the City consents to the initiation and completion of foreclosure on all collateral, including real and personal property, unless the City Manager or his/her designee has agreed otherwise, the servicing contractor shall notify the City at least fifteen (15) days before the filing of a petition to initiate any special proceeding. Provided that neither the City nor the servicing contractor shall be liable for the fees of the trustees and attorneys, the servicing contractor shall make arrangements for trustees and attorney to foreclose on and collect all appropriate amounts under the loan documents. The City shall have the right to approve the attorney chosen by contractor to represent the City, which approval shall not be unreasonably withheld. With respect to collection, the City will be responsible for filing and service fees and other costs for which the beneficiary is customarily responsible.
- **For Economic Development Mortgages Only:** When a repackaged loan account is ninety (90) days past due, a copy of the demand letter should be sent to the City with notification of further proceedings. Copy of demand letter should be mailed to the City Office of Economic and Employment Development (see address above). Further collection procedures will include the initiation and completion of foreclosure on all collateral, including real and personal property. Unless the City Manager or her designee has agreed otherwise, the servicing contractor shall notify the City at least fifteen (15) days before the filing of a petition to initiate any special proceeding. Provided that neither the City nor the servicing contractor shall be liable for the fees of the trustees and attorneys, the servicing contractor shall make arrangements for trustees and attorneys to foreclose on the collect all appropriate amounts under the loan documents. The City shall have the right to approve the attorney chosen by contractor to represent the City, which approval shall not be unreasonably withheld. With respect to collection, the City will be responsible for filing and service fees and other costs for which the beneficiary is customarily responsible.

Bankruptcy Tracking

- Track Chapter 7 and Chapter 13, file Proof of Claim or Reaffirmation Agreement, track pre- and post-petition payments and any other related tasks.

Record Maintenance

- Maintain all records in a safe and secure environment.

5.02

Deliverables

The contractor will be required to provide the following deliverables:

[a] Monthly Reports, electronically and hard copy

- Remittance of payments including a detailed statement of beginning and ending account balances,
- Status of payments received and/or not received,
- Report detailing the status of delinquencies, prepayments, and loan payoffs
- New loans received and loan account closed during the reporting period.
- Monthly statement/reports shall include the full name, including middle initials, of each borrower, both physical and mailing addresses of the borrower and addresses for business for economic development loans, account number assigned by the City for each loan, and each loan separately accounted for according to the funding source as designated by the City.

[b] Annual reports on the following may be required

- Submit annual report verifying/certifying that borrower has complied with the requirements stipulated in loan documents, including, but not limited to, payment of special assessments, applicable insurance premiums, and any maintenance of reserve account.

[c] Capacity for electronic interface via internet

- Contractor's database needs to be available for inquiry/review for daily access to reports for analytical and reconciliation to City's general ledger
- Downloadable capability to Microsoft Excel
- Reports that must be available, and frequency updated

5.03

Work Schedule

The contract term and work schedule set out herein represent the City's best estimate of the schedule that will be followed. If a component of this schedule, such as the opening date, is delayed, the rest of the schedule will likely be shifted by the same number of days.

The length of the contract will be from the date of award, approximately November 1, 2008, for 36 months, approximately October 31, 2011.